🧠 Intangible Assets: CMA US Exam Cheat Sheet

1️⃣ Definition & Traits

- **Intangible Assets** = Non-monetary, no physical substance, identifiable, controllable, future benefits.
- **Examples**: Patents, trademarks, copyrights, software, customer lists, goodwill.
- **Identifiability**:
  - *Identifiable*: Separable or legal rights.
  - *Unidentifiable*: Goodwill (only from business combinations).

2️⃣ Classification & Treatment

Type	Amortized?	Impairment?	Notes
Finite-life (e.g., patent)	✅ Yes	✅ Yes	Amortize over shorter of legal/useful life
Indefinite-life (e.g., trademark)	❌ No	✅ Yes	Annual impairment test only
Goodwill	❌ No	✅ Yes	One-step test under ASC 350

3️⃣ Recognition & Measurement

- **Purchased**: Capitalize (cost + legal/registration fees).
- **Internally Generated**: Expense (except legal fees for patents).
- **Business Combination**: Fair value; goodwill = purchase price – FV net assets.

🗒️ *Journal Entry Example*:

Code

Dr. Patent $85,000

Cr. Cash $85,000

4️⃣ Amortization

- **Method**: Straight-line unless another pattern is evident.
- **Useful Life**: Shorter of legal or economic life.
- **Residual Value**: Usually zero.

📊 *Example*: $85,000 / 8 years = $10,625/year

5️⃣ Impairment Testing

Asset Type	Test Type	Method (US GAAP)
Finite-life	Trigger-based	Recoverability test → FV write-down
Indefinite-life	Annual/triggered	FV < CV → Impair
Goodwill	Annual/triggered	One-step: CV > FV → Impair goodwill

🗒️ *Journal Entry*:

Code

Dr. Impairment Loss

Cr. Goodwill / Intangible Asset

6️⃣ R&D Costs (ASC 730)

Cost Type	US GAAP Treatment
Research	Expense
Development	Expense (unless software post-feasibility)
Equipment	Capitalize only if alternative future use

🧠 *Tip*: Know software rules—capitalize after feasibility.

7️⃣ IFRS vs. US GAAP Comparison

Aspect	US GAAP	IFRS
R&D Research	Expense	Expense
R&D Development	Expense (mostly)	Capitalize if 6 criteria met
Revaluation	Prohibited	Allowed if active market
Goodwill Impairment	One-step (CV > FV)	Two-step (recoverable amount)
Internal Intangibles	Limited capitalization	More opportunities (e.g., development)

🧠 *IFRS Dev Criteria*: Feasibility, intent, ability, benefits, resources, measurement.

8️⃣ Exam Strategy & Pitfalls

✅ Practice:

- Amortization schedules
- Goodwill impairment
- R&D scenarios
- Journal entries

⚠️ Watch out for:

- Misclassifying goodwill
- Forgetting alternative use in R&D
- Overlooking impairment triggers

Resources:

- ASC 350 & 730
- IMA CMA specs
- Gleim/Wiley mocks